

Updates

For New Jersey Public Employers

New Jersey Division of Pensions and Benefits

Fall 2004

EROC and IROC

New Methods for Reporting Employee Contributions

As an employer, and particularly if you are a Certifying Officer, you are very familiar with deducting pension, loan, and other contributions from your employees' earnings and remitting these monies to their respective pension systems. Employee pension contributions are among the most fundamental responsibilities of a Certifying Officer.

The Quarterly Report of Contributions (ROC) is the means by which employee contributions are recorded and reported four times per year to the Division of Pensions and Benefits. For years, the ROC existed only as a paper document, prepared by hand and then mailed to the Division. Eventually the ROC was available to large employers as a computer tape, thereby speeding the transmittal of large amounts of information and the posting of the new quarter's information to member accounts.

Steady advances in computer capabilities, particularly the growth of the Internet, now allow you to complete the ROC with far greater ease and speed than ever before. An important new computer program, the **Excel Based Report of Contributions (EROC)** offers an on-screen spreadsheet format (a Microsoft Excel spreadsheet) that you can complete by entering an employee's earnings. The program then calculates the amount of member contributions that should be withheld in accordance with the current deduction rate of the employee's pension fund, as well as any other necessary deductions. Because the EROC spreadsheet program performs all the required calculations, it saves you time and effort. For example, the program calculates the correct deduction for each pension fund at the current deduction rates, and automatically handles such chores as rounding

decimal places to the nearest correct amount. (Note that no ROC should be used to correct mistakes from past quarters, or to tell of events in future quarters. Corrections from prior quarters should always be dealt with in writing under separate cover and addressed to Audit Section at the Division of Pensions and Benefits.) Once all employees are entered, you simply transmit the information to the Division of Pensions and Benefits with the click of a mouse.

(Continued on page 2)

Inside

From the Director	2
Legislation Update	3
TPAF Contribution Rate....	3
Domestic Partners	4
Employer Pensions and Benefits Information Connection	5
Employer Education Programs	6
Board Educational Social Security Contributions.....	7
New/Revised Publications.....	8

TEPS Enhancement

The Transmittal Electronic Payment System (TEPS) has been enhanced to accept additional payments from employers. You are now able to use TEPS to pay for your Annual Appropriation Bill through the TEPS Web site at: www.payments-govonesolutions.com/njpen or by calling 1-800-200-2269.

For employers who participate in the State Health Benefits Program (SHBP), effective December 27, 2004 you will be able to use TEPS to remit SHBP premiums for active employees and retirees. At this time, the Division is processing TEPS enrollments and *Enrollment Authorization* forms were mailed to employers for that purpose. If you have not completed the enrollment form, please do so now and return it to the Division of Pensions and Benefits.

If you have any questions about TEPS, please call the TEPS Helpline at 1-888-835-3345.

From the Director

It may not seem long since the previous issue of *Updates* reached your desk, but at the Division of Pensions and Benefits there have been several new developments. The Employer Pensions and Benefits Information Connection (EPIC) is fundamentally changing the way in which employers receive and send employee information to the Division, speeding and streamlining many employer duties. EPIC is a set of Internet-based applications that allow registered employers access to their employees' pension and health benefit account information. A tremendous amount of work has been devoted to planning and implementing the EPIC system, and we anticipate that you will find this evident when you log on. In addition, two new programs, EROC — a computerized, spreadsheet-based method for completing your quarterly Report of Contributions, and IROC — an Internet-based application for remitting this information, are poised to make this crucial aspect of the Certifying Officer's responsibilities faster and more convenient than was previously possible.

While EPIC, EROC, and IROC will assist in the administration of pension and benefits duties, important new laws continue to enhance those benefits for our members. The Domestic Partnership Act, which became effective on July 10, 2004 created a great number of questions regarding its requirements, its benefits, and how it will be administered. This law is thoroughly discussed in this issue of *Updates*.

Employee contribution rates are always important to you as a certifying officer of a public employer, and in preparing the budget for the upcoming fiscal year, the New Jersey Legislature acted to reduce the contribution rate for members of the Teachers' Pension and Annuity Fund (TPAF) employed at State colleges and universities. See the article on page 3 if you are employed at one of these institutions of higher education.

The topic of retirees returning to covered employment is also pertinent—most recently, Boards of Education that employ retirees from the TPAF under the "critical needs" provision of Chapter 355, P.L. 2001, must realize that the Social Security contributions paid by the employers for these particular employees are not reimbursed by the State, although the State does reimburse these contributions for active TPAF employees. Chapter 355 and its implication are discussed on page 7 of this newsletter.

We at the Division of Pensions and Benefits know that your work requires mastering the many varied and often changing details that comprise our large pension and health benefits systems. We appreciate the professionalism you bring to the tasks of helping our members from their enrollment to retirement, and we are committed to our job of assisting you in doing yours.

*Frederick J. Beaver, Director
Division of Pensions and Benefits*

EROC and IROC *(Continued from page 1)*

While the EROC represents a significant step forward in the processing of member contributions, the Division of Pensions and Benefits is preparing an even newer system for this purpose: the **Internet Report of Contributions** (IROC). The IROC can be easily accessed by any employer with an Internet connection.

In addition to its accessibility through the Internet, the IROC is easier to use than the EROC because each employee's information can be entered sequentially, without having to manage the multiple pages of an Excel spreadsheet. For

employers with many employees, this is a significant advantage. Also, the format used by the IROC requires fewer keystrokes to enter required information for each employee than the EROC.

Then, if you wish to learn more about the EROC, IROC, or EPIC, you must call the Division's Employer Education Unit at (609) 777-2111 to schedule a training session at your location. This information is not included in the Pension Seminars listed on page 6 of this newsletter.



Legislation Update

PERS &

TPAF

SHBP

Deferred Compensation Plans for Boards of Education

Chapter 155, P.L. 2003 – Authorizes boards of education to establish tax-sheltered deferred compensation plans under section 457 of the federal Internal Revenue Code. Additionally, it grandfathers any section 457 plan established by a board of education prior to the effective date of this law. This law was effective August 15, 2003.

Health Benefits Advisory Committee

Chapter 193, P.L. 2003 – Establishes a Mandated Health Benefits Advisory Committee to study the social, financial, and medical impact of proposed mandated health benefits. This law was effective November 21, 2003.

SHBP Coverage for Legislators

Chapter 308, P.L. 2003 – This law provides that if a member of the Legislature elects health benefits coverage on the basis of service in the Legislature, the member may not enroll as the primary insured for health benefits for which the member is eligible through any other public entity, and cannot accept any amount of money in consideration for filing a waiver of coverage. This law was effective January 14, 2004.

Mammogram Coverage

Chapter 86, P.L. 2004 – Requires health insurers, including health, hospital, and medical service corporations; commercial individual, small employer, and group health insurers; health maintenance organizations; and the State Health Benefits Program (SHBP), to provide health benefits coverage for expenses incurred in conducting a mammogram for women under 40 years of age who have a family history of breast cancer or other breast cancer risk factors, at such age and intervals as deemed medically necessary by the woman's health care provider. This law was effective October 5, 2004.

TPAF Contribution Rate Reduced for State Colleges and Universities

The Fiscal Year 2005 Budget includes a provision that reduces the pension contribution rate of Teachers' Pension and Annuity Fund (TPAF) members at State colleges and universities from 5% to 3% for the period of July 1, 2004 through December 31, 2004. Certifying Officers at these institutions should have taken deductions at the reduced 3% rate for Pay Period 15 (June 26 - July 9), and should continue take them at the 3% rate through Pay Period 27 (December 11 - December 24). The rate returns to 5% beginning Pay Period 1 of 2005 which begins December 25, 2004.

Tell us what you think...

The Division of Pensions and Benefits is constantly striving to enhance our service to employers. Your comments help us identify and understand your needs and priorities. We encourage you to write to the Division of Pensions and Benefits, Publications Unit, PO Box 295, Trenton, NJ 08625-0295 or e-mail us at: pensions.nj@treas.state.nj.us

Domestic Partners

Chapter 246, P.L. 2003, the Domestic Partnership Act, allows a same-sex domestic partner to be treated in the same manner as a spouse, widow, or widower for purposes of pension benefits in the Public Employees' Retirement System (PERS), Teachers' Pension and Annuity Fund (TPAF), Police and Firemen's Retirement System (PFRS), State Police Retirement System (SPRS), and Judicial Retirement System (JRS) and health benefits in the State Health Benefits Program.

The law applies **immediately** to **State employees** who have obtained a New Jersey *Certificate of Domestic Partnership*.

The law applies to **local governmental** entities only if the governing body of the employer adopts a resolution or ordinance extending the domestic partner benefit to its employees and retirees and files it with the Division of Pensions and Benefits. An adopting local employer can resolve to provide **pension benefits** to domestic partners, and, **health benefits** — if the employer participates in the State Health Benefits Program — however, these are two separate decisions. Any benefits the employer decides to adopt must be extended to all of its employees and retirees regardless of the specific pension fund(s) of which the employees are members, but the benefit will not be retroactive to provide benefits to a domestic partner of an employee or retiree who has already died.

At a later date, a local employer can choose to rescind its resolution to extend domestic partner benefits. However, the decision to rescind would only affect employees with less than five years of service. Employees with five or more years of service credit in a pension system would be grandfathered for the domestic partner pension benefit while they remain with that employer. Domestic Partnership health benefits, however, do not have a grandfather clause, and if an employer rescinds Domestic Partnership benefits, the health benefits coverage of domestic partners will be terminated.

The Domestic Partner benefit is employer-specific and is not portable. If an employee who works for an employer providing domestic partner benefits leaves to take a job with another employer, he or she does not automatically take the domestic partner benefit to the new employer unless the new employer also adopted to offer domestic partner benefits.

Pension Benefits

The Domestic Partnership Act provides that a same-sex

domestic partner be treated in the same manner as a spouse. For the **Public Employees Retirement System (PERS)** and the **Teacher's Pension and Annuity Fund (TPAF)**, the only benefit affected by this law is that for Accidental Death. An eligible domestic partner will now be able to receive a pension benefit if the member dies by accident in the performance of regular duties at work. (The member must have already established a Domestic Partnership and have been employed by an employer offering the benefit. Domestic Partnership benefits are not retroactive. Regular PERS and TPAF retirements are usually not impacted since retirees can already name anyone as a beneficiary of their pension benefit. (However, the Internal Revenue Service — a federal agency, not governed by the provisions of the Domestic Partnership Act — does restrict who a member can name as a non-spouse beneficiary under pension Options 2, A, and B. See Fact Sheet #5, *Pension Options* for details. In addition, a survivor's benefits from an Accidental Disability retirement or accidental line-of-duty death going to a domestic partner would be subject to federal tax, which is not the case if this benefit were paid to a spouse.)

For members of the **Police and Firemen's Retirement System (PFRS)** or **State Police Retirement System (SPRS)**, the Domestic Partnership Act affects the statutory Surviving Spouse benefit that is payable upon the death of the employee or retiree. This benefit can now go to a same-sex domestic partner. Additionally, if a surviving partner is receiving a PFRS or SPRS survivor's benefit (with the exception of survivor of an Accidental Death in the line of duty) and later marries or establishes a new same-sex domestic partnership, the survivor will lose the pension benefit. **Judicial Retirement System (JRS)** members can also have their statutory Surviving Spouse benefit go to a same-sex domestic partner. If a JRS member wishes to also select a joint and survivor retirement option, the IRS restrictions for non-spouse beneficiaries under Options 2, A, and B mentioned above in regard to the PERS and the TPAF would also apply. (For members of PFRS, SPRS, and JRS, the establishment of an opposite-sex domestic partnership will not cause the loss of the survivor's benefit because the pension and health benefits portions of the law do not apply to opposite-sex partners.)

SHBP Benefits

The Domestic Partnership Act also provides that members of the State Health Benefits Program (SHBP)

(Continued on page 7)

Employer Pensions and Benefits Information Connection

The Employer Pensions and Benefits Information Connection (EPIC) is a set of Internet-based applications that allow registered employers access to their employees' pension and health benefit account information. The information is displayed in a "user-friendly" format, and covers the entire employment cycle from enrollment to retirement. The Division of Pensions and Benefits has designed EPIC to be both fast and easy to use.

EPIC's applications cover a wide range of important functions including:

- **Payroll Certifications** — Allows you to view the *Certifications of Payroll Deductions* issued by the Division to authorize deductions for new employees, back deductions, pension loan payments, or purchase arrears payments.
- **Enrollment Application Status** — Check the enrollment status of newly hired employees. If processing is complete, the certification date will be displayed.
- **Retirement Application Status** — Check the status of employees who submitted an *Application for Retirement Allowance* to the Division. Also displays date of approval by the Board of Trustees and date of the quotation letter, if these have occurred.
- **Membership Account Status** — View pension account information for any of your employees, including current status of any loan, purchase arrears, or back deductions due to the Division. Also displays date of last recorded contribution, total employee contributions, service credit, life insurance coverage, and Deferred Compensation and/or Supplemental Annuity Collective Trust enrollment.
- **Check for Existing Account** — Knowledge of an existing pension account is important so that you can use the appropriate enrollment or transfer application, and knowledge of retiree status is important because of salary limitations that can jeopardize retirement benefits and require reenrollment into the pension fund.

Once logged on, a registered employer can use EPIC to search Division databases by individual employee, by all employees within a particular pension fund at that location, or by particular forms submitted by the employer, such as all enrollment, retirement, or loan applications.

The applications listed above are just some of the tools currently available through EPIC. In the near future, EPIC will also be expanding to include calculators for estimating pension loans, purchases of service credit, and retirement benefits; as well as access to State Health Benefits Program (SHBP) member information, and SHBP employer billing information.

Registering for EPIC Access

In order to access EPIC, the Certifying Officer must register the employing location with the Division of Pensions and Benefits and appoint an EPIC Security Officer. (The Certifying Officer can also choose to function as the EPIC Security Officer.) The Security Officer is responsible for designating which employees are given access to EPIC and what applications the employees can access.

If your employing location has not set signed up for access to EPIC, your Certifying Officer can arrange for an EPIC training session and registration by calling the Division of Pensions and Benefits' Employer Education Unit at (609) 777-2111 or (609) 777-2112.

The Employer Education Unit will arrange to conduct an EPIC training session for you and your employees at a time that is convenient for you. These training sessions thoroughly explain the registration process and familiarize the employer with the system's functions, easing the transition to using EPIC and helping to avoid errors.

Once you begin to use EPIC, we believe you will find it to be one of your most useful resources for day-to-day administration of your employees' pensions and benefits needs.



Employer Education Programs

January — December 2005

The Division of Pensions and Benefits provides two different employer education seminars at regional locations in Randolph, Trenton, Mays Landing, Sewell, Lyndhurst, and Lincroft. Each seminar is a full day program. Participants who wish to attend both programs must register for each one separately.

Upcoming seminars are listed by topic, location, date and seminar ID number. Early registration is advised as seating is limited. State agencies with electronic access **MUST** register attendees through the STADIS system. Other employers should submit the seminar registration form to the Benefits Education Unit, Division of Pensions and Benefits, PO Box 295, Trenton, NJ 08625-0295 or fax to (609) 292-9500.

DAY 1

"Pension Processing and Employer Responsibilities"

This full day seminar is offered to assist employers of Public Employees' Retirement System (PERS), Teachers' Pension and Annuity Fund (TPAF), and Police and Firemen's Retirement System (PFRS) members in understanding the entire pension process as it applies to them and their employees.

Randolph
10:00 a.m. to 3:30 p.m.
May 9GG.983.253781
August 8GG.983.260259

Sewell
10:00 a.m. to 3:30 p.m.
February 2GG.983.253786
April 5GG.983.253787
September 6 ...GG.983.260262

Trenton
10:00 a.m. to 3:30 p.m.
January 11GG.983.253782
March 7GG.983.253783
May 3GG.983.253784
October 4GG.983.260260

Lyndhurst
10:00 a.m. to 3:30 p.m.
March 8GG.983.253788
October 3GG.983.260263

Mays Landing
10:00 a.m. to 3:30 p.m.
March 10GG.983.253785
September 15 ..GG.983.260261

Lincroft
10:00 a.m. to 3:30 p.m.
March 15GG.983.253789
September 19 ..GG.983.260264

DAY 2

"Completing the Quarterly Report of Contributions"

This full day program is offered by the Division of Pensions and Benefits to assist participating employers of Public Employees' Retirement System (PERS), Teachers' Pension and Annuity Fund (TPAF), and Police and Firemen's Retirement System (PFRS) members in completion of the Quarterly Report of Contributions. Also included will be "Enrollments Basics" and forms completion.

Trenton
10:00 a.m. to 3:30 p.m.
January 25GG.982.253850
March 21GG.982.253852
May 17GG.982.253853
October 18GG.982.260266

Randolph
10:00 a.m. to 3:30 p.m.
May 16GG.982.253848
August 15GG.982.260265

Sewell
10:00 a.m. to 3:30 p.m.
February 9GG.982.253857
April 12GG.982.253858
September 13 ..GG.982.260267

Mays Landing
10:00 a.m. to 3:30 p.m.
March 24GG.982.253854
September 29 ..GG.982.253856

Lyndhurst
10:00 a.m. to 3:30 p.m.
March 22GG.982.253859
October 11GG.982.260268

Lincroft
10:00 a.m. to 3:30 p.m.
March 29GG.982.253860
September 26 ..GG.982.260269

County College of Morris
214 Center Grove Road
Randolph, NJ

NJ Div. of Pensions and Benefits
50 West State Street
Trenton, NJ

Gloucester County Southern
Regional Training Center
1492 Tanyard Road
Sewell, NJ

NJ Meadowlands Commission
1 DeKorte Park Plaza
Lyndhurst, NJ

Brookdale Community College
765 Newman Springs Road
Lincroft, NJ

Atlantic Cape Community College
5100 Black Horse Pike
Mays Landing, NJ



This schedule, along with the schedule of seminars that we offer to your employees, is available in the "resources" section of the Division of Pensions and Benefits' Internet site at:

www.state.nj.us/treasury/pensions

Board of Education Social Security Contributions Not Reimbursed

On Wages of TPAF Retirees Employed Under Chapter 355, P.L. 2001

Chapter 355, P.L. 2001 provides that:

1. A retiree of the Teachers' Pension and Annuity Fund (TPAF) who is a certificated superintendent or a certificated administrator may become employed by the New Jersey Department of Education in a position of critical need as determined by the Commissioner of Education, or become employed by a board of education as a certificated superintendent or certificated administrator on a contractual basis for a term of not more than one year; and
2. A retiree of the Public Employees' Retirement System (PERS) may become employed by the New Jersey Department of Education in a position of critical need as determined by the commissioner, or become employed by a board of education in a position of critical need as determined by the superintendent of the district on a contractual basis for a term of not more than one year.

A retiree employed by a board of education will be able to renew the employment contract for one additional year; however, the retiree's total period of employment with any individual board of education may not exceed a two-year period. The law also provides that the current pension re-enrollment provisions will apply if a retiree accepts employment with the same employer from which he or she retired within 120 days of retirement.

Social Security Deduction and Chapter 355

Although Chapter 355 became law in 2001, it is important to clarify an issue regarding Social Security contributions that has caused some confusion among employers who hire retired TPAF members meeting the above criteria.

The State of New Jersey normally reimburses education employers for the employer pension and Social Security contributions paid for their TPAF employees. However, because employees covered by Chapter 355 are not re-enrolled in the retirement system, no pension contributions should be deducted from their pay. Likewise, these employers should not request or expect that the State will reimburse the employer for the Social Security contributions paid on the salaries of these Chapter 355 employees. The Social Security contributions on these employees are strictly a matter concerning the employer and the Federal government, and do not involve the State of New Jersey.

Domestic Partners *(Continued from page 4)*

employed by the State or by local employers that resolve to adopt the Domestic Partnership Act and participate in the SHBP (and retirees from these state and local employers), can add a same-sex domestic partner to their SHBP coverage. This extends to all available medical, prescription, and dental plans. Eligible dependent children of a same-sex domestic partner can also be added to a member's SHBP coverage if they are single and under the age of 23, live with the employee, and are dependent upon the employee for support. An *Affidavit of Dependency* must be filed to add the children to coverage.

The Domestic Partnership Act allows local employers to require the employee to pay for the cost of SHBP coverage of his or her domestic partner. If the employer pays for the cost of coverage, the domestic partner's SHBP benefit may be federally taxable because the federal tax code does not automatically recognize a domestic partner as a dependent for tax purposes in the same manner as a spouse. As a result,

the employer may have to withhold federal income, Social Security, and Medicare taxes on the value of the covered partner's benefit unless the employee provides a certification that the domestic partner meets the federal tax code criteria for a dependent. For additional information on dependent status for federal tax purposes, see *IRS Tax Topic 354 – Dependents*, which is available at: www.irs.gov.

For an employee or retiree living in New Jersey, the domestic partnership benefit is not subject to state income tax. Employees or retirees living outside of New Jersey should check with their state's tax agency to determine if the domestic partner benefit will be subject to that state's taxes.

Further information regarding the Domestic Partnership Act can be found in Fact Sheet # 71, *Benefits Under the Domestic Partnership Act*. This fact sheet can be viewed over the Internet at:

www.state.nj.us/treasury/pensions/fact71.htm

Updates

Fall 2004
Vol.IX Issue 2

Updates is published semi-annually by the Division of Pensions and Benefits and is designed to keep employers informed about issues regarding the administration of the pension programs. The newsletter will address legislative changes and include articles designed to clear up pension issues and concerns.

The selections in this publication are for informational purposes only and while every attempt at accuracy is made, it cannot be guaranteed. If there are discrepancies between the information presented here and the law, regulations, or contracts, the latter will govern. If you have questions or concerns or would like a particular issue addressed, contact the Updates Editor, Division of Pensions and Benefits, PO Box 295, Trenton, NJ 08625-0295.

Frederick J. Beaver
Director, Division of
Pensions and Benefits

Florence Sheppard
Deputy Director
Benefit Operations

Steven R. Stokley
Senior Editor
Publications Unit

William Bakun
Editor
Publications Unit

Serena M. Torpila
Graphic Design
Publications Unit

Hank Schwedes
Contributor

New/Revised Publications

The following publications are new or have been revised recently. Fact sheets can be viewed on the Division's Internet site at: www.state.nj.us/treasury/pensions
New or revised forms can be found in the Forms Index of the online Employer Pensions and Benefits Manual at: www.state.nj.us/treasury/pensions/epbam/index.htm
Publications can also be ordered in bulk by calling (609) 777-4357.

New or Revised Fact Sheets

#5 <i>Pension Options (PERS and TPAF)</i>	May 2004
#7 <i>New Jersey State Employees Deferred Compensation Plan Distribution Options</i>	February 2004
#9 <i>Divorce and Your Deferred Compensation Plan Account</i>	February 2004
#24 <i>Withdrawal from the Retirement System</i>	February 2004
#28 <i>Employment After Retirement (TPAF)</i>	April 2004
#32 <i>The New Jersey State Employees Deferred Compensation Plan</i>	April 2004
#34 <i>The Additional Contributions Tax-Sheltered (ACTS) Program</i>	April 2004
#35 <i>The Supplemental Annuity Collective Trust Fund of New Jersey (SACT) (All Funds)</i>	April 2004
#37 <i>SHBP Employee Dental Plan</i>	September 2004
#38 <i>Alternate Benefit Program</i>	April 2004
#54 <i>Calculating Your Own Retirement</i>	May 2004
#58 <i>Employer's Guide to Hiring Retired Government Employees (PERS, TPAF, PFRS, & APB)</i>	April 2004
#59 <i>The Taxability and Mandatory Withholding of Income Tax From Your Deferred Compensation Distribution (NJSEDCP)</i>	April 2004
#60 <i>Voluntary Furlough Program (All Funds)</i>	May 2004
#66 <i>SHBP Coverage for Part-Time Employees</i>	April 2004
#68 <i>Designation of Beneficiary</i>	June 2004
#69 <i>SHBP Coverage for State Intermittent Employees</i>	June 2004
#71 <i>Benefits Under the Domestic Partnership Act</i>	June 2004
#73 <i>Retiree Dental Expense Plan</i>	September 2004

New or Revised Forms

Application for Disability Retirement (PERS, TPAF, PFRS, SPRS)
Application for Enrollment (PERS/TPAF)
Designation of Beneficiary Form (All Funds)
New Jersey State Health Benefits Program Application
New Jersey State Health Benefits Program Employee Dental Plans Application
Part-Time Employee State Health Benefits Program Application
Intermittent Employee State Health Benefits Program Application
State Health Benefits Program Retired Status Application